

RECORD VERSION

STATEMENT

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Introduction

Chairman Andrews, Congressman Conaway, and distinguished members of the Defense Acquisition Reform Panel: Thank you for this opportunity to discuss the processes that the U.S. Army uses to measure value and risk in services contracts. We are pleased to report that those processes enable our contracting mission to be agile, expeditionary and responsive to our warfighters while ensuring proper fiscal stewardship of taxpayer dollars. We are pleased to report to you that we have increased the resources devoted to oversight of services contracts and have also developed improved techniques for evaluating and managing those contracts to provide good value to the taxpayer and effective support to deployed warfighters. We believe that our recent improvements in oversight and administration of services contracts comply fully with the recommendations in the Government Accountability Office September 2008 report entitled "DOD Needs to Address Contract Oversight and Quality Assurance Issues for Contracts Used to Support Contingency Operations." The Army has:

- improved its Contracting Officer Representative (COR) program.
- a plan in place to increase the number of personnel in the contract administration area.
- improved its ability to inspect the worldwide contracting offices that execute the Army's acquisition program.

Additionally, the Army has increased the rigor of its acquisition processes to focus on obtaining better values from the service contracts it awards.

The Army Contracting Command stood up in March 2008 and has approximately 70 percent of the contracting personnel within the Army as a whole. It has a mission to continually improve contracting, acquisition, and program management in expeditionary operations. One entire division of the new headquarters staff is dedicated to the improvement of the COR program. Other Army staffs are also making great strides in improving Army doctrine and training related to the oversight of contractors who support Army operations. For instance, there is a new Deployed COR Handbook with memory joggers, practical examples and practical exercises prepared by the Center for Army Lessons Learned that can be used in the field. The handbook is greatly improving the amount of learning retained by the CORs. The training content of other non-COR specific courses has improved as well. There is a new course for selected logistics and other non-acquisition officers/senior Non-Commissioned Officers at the Army Logistics Management College that emphasizes the importance of properly overseeing service contractors that support the force. Also, training exercises conducted before deployments are beginning to include content on COR training and oversight of contractors.

Recent RAND studies and GAO reports state that the Department of Defense needs to become more strategic in the way it buys and manages services. Trends in Army service contracting support the fact that the Army has embraced this concept. Section 2330 of Title 10, United States Code, as amended by section 812 of the National Defense Authorization Act for Fiscal Year 2006 (Pub. L. No. 109-163), requires

the establishment and implementation of a management structure for the acquisition of services in the Department of Defense (DoD). For contracts over \$250 million, the Army has instituted a deliberative acquisition planning process for services contracts that includes review and approval of the acquisition strategy at the head of contracting activity level, which in Army Contracting Command, is at my level. Additionally, acquisition strategies for contracts over \$500 million must be reviewed and approved at the Deputy Assistant Secretary of the Army (Procurement) level. Senior representatives from the technical areas that are the focus of the acquisition, together with senior experts in contracting, finance, and law form a senior review panel to assess the acquisition strategy. This review is conducted to ensure that the planned contract will provide an efficient and effective solution to the Army's needs and that there are strong metrics that will enable the Army to track the value delivered by the contractor that ultimately receives the contract. The Army has been using this process for approximately five years. One of the interesting side benefits of this senior review is the evolution of a more deliberate strategic sourcing movement that focuses on establishing Army-wide contracts for common use supplies and services. For example, we now have an Army-wide contract for cell phones that has achieved substantial discounts from the GSA contracts prices and provides better controls over who is given a cell phone and what type of calling program they may use. The net effect is a cost avoidance of \$79.2 million per year. The Blanket Purchase Agreements provide consistent enterprise terms and conditions, eliminate activation, deactivation and other fees previously charged, and provide aggressive pricing on both cellular devices and service plans. Service plans also include a new flat-rate pricing option not previously

available to Army users. The flat-rate price plan helps minimize the costs of using more than the monthly allotted minutes and using fewer than the total minutes purchased each month by charging the user a low flat-rate per minute only for minutes used each month. Use of this pricing option takes a lot of the guesswork out of matching individual users to the appropriate pricing plan and significantly lowers the total cost of cellular service for most users relative to existing plans.

This approach is not limited to commercially available services. The Army uses suites of multiple-award indefinite quantity contracts to support all types of operations leveraging our service spending. Examples include the Field and Installation Support Readiness Team (FIRST) that provides logistical support requirements including logistics program management, repair and maintenance support, supply chain management, quality assurance support, logistics training support, and transportation support in both CONUS and OCONUS locations. The FIRST program metrics include how well small business and competition requirements are being met as well as goals for reducing logistics burdens, customer satisfaction, timeliness of performance, cost control and reliability. The Global Maintenance and Supply Services (GMASS) program metrics include how well the contractor met the technical requirements of its individual task order(s) (currently at 99.7 percent first time for task order 1) while cost and schedule are evaluated on a program level across all task orders. Two contracts at the U.S. Army Communications-Electronics Life Cycle Management Command (C-E LCMC) provide centralized management of requirements for logistics and service support (the so-called R2 and S3 suites of contracts). These contracts are used across the Army.

Finally, the U.S. Army Aviation and Missile Life Cycle Management Command (AMCOM LCMC) EXPRESS contracts provide professional engineering and support services - once again for all Army customers - at a savings to the prices on the related GSA schedules.

We continue to seek out even more opportunities to better leverage Army purchasing power. For example, we are reviewing alternative ways to support the Army's installation maintenance support contracts. \$438.2 million of work is performed by 37 contractors under 41 contracts. Under the AMC Materiel Enterprise approach, there may well be a way to eliminate redundancies in contracts and capabilities and thereby gain efficiencies across the Army. This is an example of how we strive every day to improve the value Army and the taxpayer receive from Army contracts.

Many of our actions are based on the recommendations contained in the report, *Urgent Reform Required: Army Expeditionary Contracting* dated October 31, 2007, by Dr. Jacques Gansler and members of the Commission on Army Acquisition and Program Management in Expeditionary Operations. The Army has expanded its expeditionary contracting structure to include planning cells within our Contracting Support Brigades to coordinate contract requirements with operational commanders. There is also increased educational and leadership focus for Army commanders, staff, and other non-contracting professionals to value the role of the COR. The COR's role is key to ensuring that the government is getting what it is paying for with appropriate oversight. This recommendation directly relates the GAO's recommended

improvements in contract oversight by providing contracting advisors that are directly linked to operational commanders. Those personnel can help ensure that commanders understand the need to provide people with the proper technical skills to oversee contractor performance as CORs. Additionally, Section 503(a) of the National Defense Authorization Act (NDAA) for Fiscal Year 2009 (FY09) authorized five additional general officer billets in the Active Component designated for acquisition. The general officer billets are critical because the supported military commanders are general officers and many support requirement issues must be worked within the military chain of command. General officers are afforded access that simply does not exist for civilian equivalents.

The Commission recommended increasing the number of military and civilian personnel in the Army contracting workforce by roughly 25 percent. The Army has been working to ensure contracting or contracting related needs are identified and codified through the Army's concept plan process which serves to document organizational force structure. We refined contracting workforce requirements resulting in a new estimate of 617 military and 1,635 civilian personnel required to provide adequate contract administration and oversight worldwide. This estimate of additional personnel required is slightly different than the numbers suggested by the Gansler Commission. Additionally, a Force Design Update has been tentatively approved to increase the Contracting Support Brigades and subordinate battalions and teams with 295 military personnel in FY09-13. These plans are currently being staffed as part of the resourcing process.

In other actions, the Army is developing a comprehensive strategy to systematically integrate the collection, analysis, and dissemination of observations and insights about expeditionary contracting into its lessons learned processes. This will enable us to capture lessons learned from three different perspectives: the requiring activity, the contracting officer, and the contractor. The intent is to analyze the information to determine gaps or changes needed in our doctrine, organization, training, materiel, leader development, personnel, and facilities assessments to ensure that the Army obtains full value from contractors on the battlefield and that contractors are only used when they provide a clear savings without negatively impacting the ability of the Army to execute its warfighting mission.

Furthermore, the Army is working closely with the Defense Acquisition University (DAU) and other educational venues to increase the number of contracting and COR training courses for certification that will be delivered starting in FY09 and to review and update training plans based on lessons learned. Specifically, DAU has added more than 100 contracting course offerings and additional seating capacity for Army personnel and has improved on-line course content for CORs. The training content for program management personnel has been upgraded over the last several years to emphasize performance measurement tools such as Earned Value Management, Total Cost of Ownership and other techniques that focus on the concepts of establishing goals for cost, schedule, and performance on a acquisition and program basis and regular reassessment of progress to date toward those goals.

The Army has made great progress in providing training and tools for overall contracting activities in expeditionary operations as set forth in the Gansler Report. This includes improvements in contractor oversight and tracking value realized under contracts. We are addressing this recommendation in two broad areas: first, train as we fight; and secondly, develop and field contract tools needed for expeditionary forces. In the first area, we are adapting our training exercises to stress rapid acquisition, logistics, and contracting in expeditionary operations and are beginning to include contracting operations and planning requirements in some military exercises; thereby, ensuring the need to provide good oversight through CORs is a "take away" for all commanders participating in the training exercises.

Sixteen different officer and non-commissioned officer professional military education courses have been added or modified to include information on Operational Contract Support to increase the awareness of contracting and contractor management by our operational Army. To improve knowledge gaps in training venues, the U.S. Army Training and Doctrine Command has an approved concept plan to add acquisition personnel to its Combat Training Centers. This new, collective training capability is designed to stimulate commanders and their staffs to solve expeditionary tactical problems; apply emerging doctrine to these tactical situations; and to promote a better appreciation of the challenge of integrating contractor support into military operations and the need to provide qualified technical personnel as CORs.

The Army also worked with OSD and the other Services on the publication of a pocket-sized, Joint Contingency Contracting handbook to equip contingency contracting officers with the necessary tools for joint service operations. The handbook is being incorporated into new training material for the expeditionary/contingency contracting force structure. The Army is also working to field the Virtual Contracting Enterprise (VCE) and other information technology tools to aid Army commanders and staff in contract operations. The VCE will enable us to move existing contracting tools to a web-based environment allowing for the sharing of contract information and enhanced oversight in a paperless environment which includes tracking contract performance information. Furthermore, the U.S. Army Acquisition Support Center is sponsoring a scenario-based contracting laboratory for both the officer and non-commissioned officer training course to provide them with the tools and understanding of how to prepare and execute contracts prior to their first contracting assignment. This course is in addition to the current Basic Acquisition and Intermediate Contracting courses offered through the Army Logistics Management College at its Huntsville, Alabama, campus.

Conclusion

As stewards of the taxpayers' dollars, the Army is committed to excellence in managing and documenting contractor performance and the overall discipline of contract administrative services. With service and construction contracts, whether in Iraq, Afghanistan, the United States, or elsewhere in the world, representing an ever increasing percentage of our overall contract dollars, greater emphasis is rightfully being

placed on their management and oversight. This includes documenting the contractor's performance in accordance with policy and developing key metrics related to cost, schedule and performance during acquisition planning that focus on value delivered to the Army and tracking those metrics as part of contract administration and oversight. Those metrics are key early warning signals to program officials. They are the first indicators that a program is in trouble whether it be it from technical difficulties beyond the contractor's control due to changes in the operating environment due to war related issues or problems directly related to contractor performance. We believe this will allow us to react earlier and take corrective actions at the most cost effective point which will help reduce delays in fielding systems and improve services delivery.

The amount of contract workload within the Army has increased over 500 percent while at the same time the number of staff assigned decreased by 50 percent. As Steven Schooner stated in his 1 October 2007 testimony to the Senate Committee on Homeland Security and Government Affairs, "this has led to a triage-type focus on buying with insufficient resources available for contract administration, management and oversight." Despite exceptionally hard circumstances, the Army contracting and acquisition staff has made improvements in the strategic management of Army requirements and specifically has better insight into the values being delivered under key service contracts. We believe this trend will greatly improve with improved staff levels in contract administration and better training being delivered by DAU and others to the contracting workforce. The Army is dedicated toward executing its warfighting

mission while simultaneously protecting the taxpayer's interest. It is my honor to lead the contracting team as we persevere to achieve those goals.

This concludes my statement and I welcome any questions you may have.